

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2018-_____

IN RE:

Application of Duke Energy Progress, LLC) for Approval of the Transfer and Sale of) Property in Semora, North Carolina) _____)	APPLICATION FOR APPROVAL OF TRANSFER AND SALE OF PROPERTY
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Duke Energy Progress, LLC (“DEP”), hereby applies to the Public Service Commission of South Carolina (the “Commission”) for approval of the transfer and sale of certain real estate, known as North Side of Jeff Road at Lake Hyco in Semora, Person County, North Carolina (the “Property”). The Property is a tract of vacant land containing an area of approximately 390 acres of utility property, which is the object of this application; two other parcels comprising an additional 48.69 acres, which are non-utility property, are also included in the sale. The Property is located in the DEP service territory in North Carolina. This Application is made pursuant to S.C. Code Ann. § 58-27-1300, 26 S.C. Regs. 103-830, and other applicable rules and regulations of the Commission. In support of this Application, DEP would show the following:

1. The name and address of the Applicant is

Duke Energy Progress, LLC
550 South Tryon Street
Charlotte, North Carolina 28202

2. The name and address of the Applicant's attorneys are:

Heather Shirley Smith
Deputy General Counsel
Duke Energy Corporation
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and

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3. Copies of all pleadings, orders or correspondence in this proceeding should be served upon the attorneys listed above.

4. DEP is a public utility engaged in the generation, transmission, distribution, and sale of electric energy in South Carolina and is subject to the jurisdiction of this Commission.

5. The Property consists of certain real estate that is not required for the Company's current utility operations. The legal description of the property to be transferred, including the two parcels that are non-utility property, as well as a graphical depiction of the layout of the parcels, is attached hereto as Exhibit A.

6. The Property, along with the parcels that are non-utility property, are being sold to Sunbelt Acquisitions, LLC ("Sunbelt"), a North Carolina limited liability company, for \$2,500,000. This transaction will not affect DEP's ability to provide reliable service to its customers at just and reasonable rates, and Sunbelt is not affiliated with DEP in any way.

7. The vast majority of the Property was originally acquired by DEP-predecessor

Carolina Power & Light in 1963 for future plant use. An additional half-acre portion of the 390-acre Property was acquired in 2007. The two parcels that are non-utility property were also acquired in 2007; Parcel 2 is 41.95 acres and Parcel 3 is 6.74 acres. The Property is currently owned by DEP, and it has been determined that the Property is surplus.

8. The Property has approximately 20,750 feet of lake frontage, or 3.93 miles, on Hyco Lake. The Property is zoned R, Residential District, by Person County which permits single-family residential use.

9. The Property was actively marketed by DEP's agent Cushman & Wakefield Commercial Real Estate Services, Inc., and the Offering Memorandum is attached hereto as Exhibit B.

10. The 390-acre Property has a current net book value of \$73,147. DEP had the Property, and part of the adjoining non-utility property, appraised by Integra Realty Resources of Raleigh, which provided the opinion that the Fair Market Value of the Property and Parcel 2 (excluding Parcel 3) was \$3,630,000 as of May 21, 2016.¹ A copy of the appraisal is attached hereto as Exhibit C.

11. In 2017, DEP had entered into a contract to sell the Property to another buyer for \$4,000,000, but the contract fell through due to the Property's significant development challenges discovered during the buyer's due diligence period. In particular, the Property has no access to public water or sewer utilities, and its soil is not conducive to septic systems. These factors significantly increase the costs to a buyer in developing the Property. Through its re-marketing of the Property, DEP's agent identified several other potential buyers and received

¹ Although the appraisal included Parcel 2, which is non-utility property, the appraised value was based on the linear foot of waterfront of the Property; Parcels 2 and 3 are landlocked. See page 42 of the appraisal, which is attached hereto as Exhibit C.

other offers on the Property. DEP ultimately entered into a contract with Sunbelt to sell the Property, as well as the two parcels that are non-utility property, for \$2,500,000, which was the highest offer DEP had received. Based on its experience marketing the property and the development limitations of the property, DEP submits that the contract with Sunbelt represents fair market value for the Property and that the proposed transaction should be approved by this Commission.

12. The original cost of the Property being sold will be credited as a reduction of the amount carried upon the books of the Company under Account 101, "Electric Plant in Service." The difference between the sales price and the original cost of the Property will be applied to Account 421.10, "Gain on Disposition of Property."

13. The South Carolina Office of Regulatory Staff has been served with a copy of this application and its exhibits. S.C. Code Ann. § 58-27-1300 provides that an electric utility must first obtain Commission approval prior to selling or otherwise transferring utility property with a fair market value greater than \$1 million. Therefore, DEP applies to the Commission for permission to sell the Property.

14. Applicant requests that this Commission inquire into this matter and, if no substantial opposition develops, that this Commission: (i) hear and approve this matter at the next appropriate weekly agenda session; (ii) issue an appropriate order approving the relief sought in the Company's Application; and (iii) grant such other and further relief as this Commission may deem just and proper.

WHEREFORE, Applicant prays that, pursuant to S.C. Code Ann. § 58-27-1300 and other applicable rules and regulations, the Commission enter an order approving the transfer and sale of the Property.

Dated this 10th day of October, 2018.

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